

Financial Resources for Farmers

Agriculture and Natural Resources Fact Sheet #536



Funding a farming operation can be challenging but with a little research, creativity, and persistence you can put together a financial plan that works for you. Whether you use savings or loans to fund your operation, or whether you rent, lease, or buy land, it helps to know what resources are available to you. Financial assistance (loans) may be most appropriate for funding operational expenses, whereas, you may be better off renting or leasing capital assets like land and buildings. Loans for capital can quickly become a noose because the loan principal becomes an inflexible burden.

Obtaining financial assistance is a lot like applying for a job. Preparation and taking your time are key. Develop a business plan that includes cash flow as well as income and net worth statements. Following are some resources for loans, grants, and business planning that can help you find the appropriate funding for your operation.

Operations Financing

DownHome Washington

(a division of Snohomish County Private Industry Council)
728 134th St. SW, Suite 211,
Everett, WA 98204;
(425) 743-9669;
email: snopic@gte.net.
Service Area: Adams, Chelan,
Douglas, Grant, Island, King,
Kittitas, Klickitat, Okanogan,
Pierce, Skagit, Snohomish,
Whatcom, and Yakima counties.
Offers a special SBA MicroLoan
Fund (up to \$25,000) to assist
entrepreneurs in starting or
expanding their small business.
For loans beyond that amount
they offer help with packaging
loans for the SBA 7-A loan
program, a federal guarantee of
bank loans for small and me-
dium size businesses.

Investors

Loans can sometimes be obtained from investors who have money to lend for the startup of a business. Venture capitalists usually want a percentage of the business and sometimes a say in how it is operated.

Local Banks

Local banks may offer loans for operating funds and possibly intermediate term loans for equipment.

Cautions Concerning Credit

Some general advice regarding credit
from Dick Carkner, farm management
economist at WSU Puyallup:

- ✓ use credit sparingly
- ✓ pay as you go whenever possible
- ✓ farm part time in the beginning
- ✓ don't quit your day job right away
- ✓ it can be helpful if your spouse or partner has a job
- ✓ consider using personal savings as a loan to your farm business (developing a loan structure can help provide the discipline to pay yourself back).

Revolving Loan Funds (RLFs)

RLFs are community based financial institutions that provide access to capital for individuals and communities under-served by private financial institutions. RLFs exist in every state and are supported by funders at all levels of government, as well as by private and philanthropic institutions. They provide loans to local businesses that cannot attract private financing and recycle the repayments by relending the capital to other businesses. RLFs are a flexible and effective tool for promoting business development, job creation and economic self-sufficiency. RLFs have proven to be financially sustainable institutions that collectively manage an estimated 8 billion dollars in assets nationally.

Cascadia Revolving Fund

119 First Ave S, Ste 100, Seattle, WA 98104;
(206) 447-9226; email: info@cascadiahfund.org;
web: <http://www.cascadiahfund.org/>.

Cascadia makes loans to small businesses based in Washington or Oregon that can not yet qualify for traditional bank financing and support services. Loan programs target low-income entrepreneurs, with an emphasis on low-income women, minorities, and displaced workers from the decimated timber and fishing industries. Also lends to businesses located in

distressed urban or rural communities; to those which have a high potential for job creation in communities of high unemployment; and to businesses which act to restore or preserve the environment.

Small Business Administration

Seattle District Office, 1200 Sixth, Ste. 1700, Seattle, WA 98104; (206) 553-7310;

web: <http://www.sbaonline.sba.gov/>.

Offers workshops and training, information on loan packages, and small business information packets.

Ownership Financing

Contract for Deed

Farms can sometimes be purchased through an agreement where the seller sells the land to the buyer but retains title until the purchase price is paid to the seller.

Farmer Mac, Federal Agricultural Mortgage Corporation

919 18th Street, NW, Suite 200, Washington, D.C. 20006;

(800) 879-3276; email: Mary_Maloney@farmermac.com;

web: <http://www.farmermac.com/>.

Farmer Mac is America's secondary market for agricultural real estate and rural housing mortgage loans. Farmer Mac was created by Congress to improve the availability of mortgage credit to America's farmers, ranchers and rural homeowners, businesses and communities. Farmer Mac does this primarily by purchasing qualified loans from lenders, thereby replenishing their source of funds to make new loans.

Ownership and Operations Financing

Farm Credit System

The Farm Credit System is a nationwide network of borrower-owned lending institutions and specialized service organizations. The Farm Credit System provides more than \$61 billion in loans to more than a half million borrowers, including farmers, ranchers, rural homeowners, agricultural cooperatives, rural utility systems and agribusinesses. Unlike commercial banks, system banks and associations do not take deposits. Instead, loanable funds are raised through the sale of Systemwide bonds and notes in the nation's capital markets.

[AgAmerica, FCB](#) (Farm Credit Bank)

P.O. Box 13106, Sacramento, CA 95813; (916) 485-6178. Serving Alaska, Idaho, Iowa, Montana, Nebraska, Oregon, South Dakota, Washington and Wyoming. For information, contact Jeana Hultquist, Legislative & Public Affairs.

[Northwest Farm Credit Services](#)

PO Box 2515, Spokane, WA 99220-2515; (800) 743-2125; email: info@farm-credit.com;

web: <http://www.farm-credit.com/>.

Northwest Farm Credit Services is a customer-owned lending association serving the financial needs of

Create a Business Plan

Because lenders consider agriculture a high-risk business, producers would do well to develop a business plan. A business plan should include short-term and long-term goals, strategies to complete those goals, alternatives or backup plans, and financial statements including balance sheets, profit and loss statements, and projected budgets. A sample outline of a business plan might include:

1. Financial Records

Expense records, balance sheets, cash flow budget, credit needs.

2. Farming Plans

Crops and livestock to be produced, land base, conservation practices, marketing plan, equipment needs.

3. Risk Management Plans

Insurance coverage, long range marketing plans, diversification strategies

4. Expansion Plans

Plans to buy or rent more land, proposed sources of capital, repayment plans, equipment purchases.

5. Farm Resume

A synopsis of your abilities and resources including your experience, education, goals, living expenses, and nonfarm income and plans.

farmers, ranchers, fishermen, timber harvesters, and rural residents throughout the Northwestern United States. The *Beginning Producer Program* is designed to finance the needs of beginning producers. The program helps beginning farmers and ranchers who have the management skills necessary to build a solid operation. Beginning full- or part-time farmers can obtain more information about the program at any Farm Credit branch office.

Farm Service Agency (FSA)

1011 E. Main Ave, Ste 406, Puyallup, WA 98372-6768; (253) 445-9899; email:

George.R.Jaquish@county.fsa.usda.gov;

web: <http://www.fsa.usda.gov/EDSO/wa/wa.htm>.

Offers direct and guaranteed loan assistance for beginning farmers and ranchers who are unable to obtain financing from commercial credit sources. Offers ownership and operating loans. Gives eligible beginning farmers first priority to purchase properties acquired by FSA.

Publications

Catalog of Federal Domestic Assistance

Superintendent of Documents U.S. Government Printing Office (GPO) Washington, DC 20402 (202) 512-1800; web: <http://www.gsa.gov/fdac/>.

Describes federal programs that help finance new businesses. It is a government-wide compendium, issued each June, of over 1300 Federal assistance programs arranged by agency, subject matter, and eligibility. Funding levels, criteria, and points of contact are also included.

Designing a Farm Resume. 1999. Joe Parcell, Publication No. G420. MU Extension, University of Missouri-Columbia. Web: <http://muextension.missouri.edu/xplor/agguides/agecon/g00420.htm/>.

Guide for Small Business (free)

Produced by the Washington State Department of Community Trade & Economic Development, the report provides information on local, state, and federal resources for obtaining technical and financial assistance for starting or maintaining a small business. January 1999.

Holistic Management : A New Framework for Decision-Making Second Edition. 1998. by Allan Savory & Joan Butterfield. Island Press.

Internet Resources

Small Business Administration Online Library

<http://www.sba.gov/library/pubs.html>

Includes a Financial Management Series:

ABC's of Borrowing, Understanding Cash Flow, A Venture Capital Primer for Small Business, Budgeting in a Small Service Firm, Recordkeeping in a Small Business, Pricing Your Products and Services Profitably, Financing for Small Business.

Other Resources

Economic Development Council of Seattle & King County

1301 Fifth Avenue, Suite 2400, Seattle, WA 98101-2611; (206) 389-8650; web: <http://www.edc-sea.org/>.

EDC Business Planning Packet. First copy free, additional copies \$10. Includes the Demographic and Economic Profile of King County, information on financing, taxes, incentives, office space and land costs, labor force, quality of life, education and other topics of business interest in the King County area. Published by the EDC, 1999.

Holistic Financial Planning

Holistic Management enables you to improve the quality of your life and your finances while enhancing the environment that sustains us all. And it's all based on a simple change in the way you make decisions. Holistic Management gives you a practical way to develop a clear, focused vision for your future, and enables you to plan how to get there in the most economically, environmentally and socially sound way.

In Holistic Financial Planning, you plan according to attitudes, priorities and considerations not normally included in preparing an annual budget. Although you'll complete what looks like a conventional budget or cash flow plan, you'll arrive there in new ways.

The Allan Savory Center for Holistic Management

1010 Tijeras NW, Albuquerque, New Mexico 87102; (505) 842-5252;

email: savorycenter@holisticmanagement.org;

web: <http://holisticmanagement.org/>.

WSU Holistic Management/Integrated Farming Systems

Jeffrey Goebel, WSU Dept. Animal Sciences, PO Box 646310, Clark Hall 119, Pullman, WA 99164-6310; (509) 335-7342; email: goebel@wsu.edu.

King County Economic Development Office

King County Courthouse, 516 3rd Avenue, Rm. 420 Seattle, WA 98104; (206) 205-0700;

web: <http://www.metrokc.gov/exec/orpp/ed/>.

Offers information about business finance programs and publishes *King County Business Resource Guide*.

Rural Cooperative Development Grant (RCDG) Program

1908 North Dale Lane, Spokane, WA 99212; (509) 924-7350; email: jbrugger@rdasun2.rurdev.usda.gov;

web: <http://www.rurdev.usda.gov/rbs/coops/csdir.htm>.

Rural Cooperative Development grants are made for establishing and operating centers for cooperative development for the primary purpose of improving the economic condition of rural areas through the development of new cooperatives and improving operations of existing cooperatives. The U.S. Department of Agriculture desires to encourage and stimulate the development of effective cooperative organizations in rural America as a part of its total package of rural development efforts.

**Alternate formats available upon request.
206-205-3100 (TTY 711)**

No endorsement is intended of any businesses listed in this fact sheet, nor is criticism of unnamed businesses implied.

Written by [Sylvia Kantor](#), WSU Cooperative Extension King County, 1999. Reviewed by Richard Carkner, WSU Puyallup.

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